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**இலங்கை அபிவிருத்தி நிர்வாக நிறுவகம்**  
**SRI LANKA INSTITUTE OF DEVELOPMENT ADMINISTRATION**



**Second Efficiency Bar Examination for Officers of Sri Lanka  
Planning Service Officers 2019(II)**

**Time - 3 Hours**

**Basic Macro Economics (22)**

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**Index No / சுட்டுஎண்**

- **All questions should be answered.**

- 1) I. a) Explain Fiscal Policy and Monetary Policy. (06 Marks)
- b) What are the responsible government organizations for analysis of the above two policies. (02 Marks)
- c) Specify two main sources of government revenue and two main types for government expenditure. (04 Marks)
- II. “At the turn of the year 2020, fiscal policy was focused on reviving a stagnant economy. However, with the economic fallout from the COVID-19 pandemic, the fiscal outcome deviated from expectations, as reflected in the decline of the government revenue and a rise in government recurrent expenditure, thereby widening the budget deficit and rising the outstanding central government debt.”  
*(Annual Report 2020, Central Bank)*
- a) Considering the above statement, discuss the factors that caused the decline of government revenue and a rise in the government recurrent expenditure in 2020. (08 Marks)
- b) Explain the meaning of “primary balance” and “budget deficit” and relationship between them. (05 Marks)

**(Total 25 Marks)**

- 2) i. Explain economic growth and development. (10 Marks)
- ii. Critically evaluate the strategies that can be used to increase economic activities of Sri Lankan industrial sector? (15 Marks)

**(Total 25 Marks)**

- 3) i. Explain the relationship between Consumer Price Index (CPI) and inflation. (10 Marks)
- ii. What are price indices used to measure Consumer Price Index (CPI)? (05 Marks)
- iii. What is the trend of inflation in 2021 and describe factors that had an impact on inflation in Sri Lanka? (2x5=10 Marks)

**(Total 25 Marks)**

- 4) “We will make every effort to reduce the budget deficit to 8.8 percent in 2022, 6.1 percent in 2024, and 4.8 percent in 2025. We expect a balanced budget in 2028. In order to reduce the budget deficit, we need measures for, solid expenditure management, increasing government revenue, and restructuring loss-making public enterprises”

*(Minister of Finance, Budget Speech 2022)*

- I. Describe strategies to reduce budget deficit under
- 1) solid expenditure management
  - 2) increasing government revenue
  - 3) Restructuring loss-making public enterprises (5x3=15 Marks)
- II. Suggest ways to restructure loss-making public enterprises with the view to achieving the government objectives. (10 Marks)

**(Total 25 Marks)**

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